

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Special Meeting and Study Session

May 3, 2004  
5:30 p.m./6:00 p.m.

Room 3 A/B & Council Conference Room  
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Noble, and Councilmembers Balducci, Chelminiak<sup>1</sup>, Davidson, Degginger, and Lee

ABSENT: None

Special Meeting – Executive Session

An Executive Session convened at 5:30 p.m. to discuss two items of pending litigation.

1. Executive Session

At 6:00 p.m., Deputy Mayor Noble opened the Study Session and announced recess to Executive Session for approximately 30 minutes to discuss one item of pending litigation.

The meeting resumed at 6:45 p.m. with Mayor Marshall presiding.

2. Study Session

- (a) New City Building – Project Scope and Budget Recommendation by City Manager

City Manager Steve Sarkozy opened the discussion and noted a public hearing on the New City Building redevelopment project is scheduled for May 10. Council will set the maximum allowable construction cost (MACC) by early June, and construction will start in August. Council previously approved a preliminary budget of \$102 million. The City Manager's proposed budget is now recommended at \$101.26 million.

Planning and Community Development Director Matt Terry welcomed the project consultants: Dennis Forsyth and Rick Zieve, SRG Partnership; Larry Bjork and Chris Raftery, Lease Crutcher Lewis; and Rebecca Chao, financial advisor. Mr. Terry explained that the purpose of tonight's

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<sup>1</sup> Mr. Chelminiak arrived at 5:46 p.m.

discussion is to present information in preparation for next week's public hearing. He recalled Council set a preliminary budget in November 2003 followed by design development, value engineering work, and public input from November through February 2004. Design presentations were conducted with Council in late February and March. The project team worked in April to refine cost estimates and component options and complete a final review of the project scope and budget.

Mr. Terry said the City Manager's recommended budget totals \$101.26 million. The recommended project scope maintains the intent of the schematic design proposal presented in November, addresses key organizational needs for the use of the building, and responds to comments from the public. Staff feels the recommendation represents the lowest prudent budget and scope based on the project's objectives. The current proposal accelerates the building's occupancy schedule from December 20 to November 11, 2005. This would allow major moving to occur over the long Thanksgiving weekend and avoid paying December rent for the current building.

Mr. Terry directed Council's attention to the cost estimate provided on page SS 2-2 of the meeting packet. The budget was reduced through a series of value engineering efforts and modifications to the project scope to reach the estimated cost of \$101.26 million. If Council approves staff's recommendations regarding new funding elements for the project, the net project cost is \$100.4 million.

Mr. Terry reviewed Exhibit 1, Major Project Cost Component Changes from Schematic Design, beginning on page SS 2-10 of the packet. The net purchase and sale cost dropped by approximately \$750,000 due primarily to Council's decision to consolidate debt issuance into a single transaction and the accelerated schedule. Construction costs increased by approximately \$1 million over the preliminary budget due to the cost of steel and additions to the project scope. City of Bellevue project costs are reduced by approximately \$1.45 million due to significant savings on systems furniture and other minor adjustments reviewed on page S 2-11 of the packet.

Mr. Terry reviewed new revenue sources identified on page SS 2-12: 1) \$450,000 from the Capital Investment Program (CIP) public art fund, 2) \$300,000 from the CIP gateway program, and 3) \$60,000 from the potential sale of development incentives associated with the major public open space (MPOS) on the project site (NE 6<sup>th</sup> Street and 110<sup>th</sup> Avenue).

Exhibit 2, page SS 2-13, lists all of the value engineering and scope reconciliation adjustments made to the design development scope assumptions to bring them into alignment with the schematic design. Mr. Terry highlighted key value engineering items including a redesign of the garage to eliminate the shoring walls, simplification of the foundation and structural upgrades, and a reduction in demolition costs. Additional cost savings were identified for project items including the following: sunscreens, skylights, gutter material, elimination of terra cotta exterior for new garage, modifications to some meeting rooms and interior doors, reduction in coverage of terrazzo floor, reroute of electrical service, and the elimination of programmable light dimmers. A need for quick response sprinklers results in a cost increase of \$129,803.

Noting Exhibit 3 on page SS 2-16, Mr. Terry reviewed recommendations for additional scope adjustments representing a total potential savings of \$425,398. Staff and the project team recommend replacing plans for green roofs with concrete pavers and planters, reduction in landscaping along the south side of the building, elimination of the clerestory windows and skylight for Council Chambers, elimination of one of four water features (around plaza pavilion), and additional garage screening on the existing garage. Mr. Terry said the adjustments respond in part to feedback from Council.

Moving to Exhibit 4, Mr. Terry said the recommended contingency budget is essentially unchanged except the design contingency has been used to offset project costs in three areas: steel, mechanical/electrical/plumbing, and fire code requirements (stairs and quick response sprinklers). Monthly reports on contingency expenditures will be provided to Council.

Referring to the contingency policy outlined on page SS 2-17, Mr. Degginger suggested additional clarifying language regarding monthly reporting and Council approval of contingency spending.

Mr. Terry reviewed Exhibit 5, additional options for Council consideration recommended by the City Manager and listed in priority order. These include landscaping enhancements, bathroom upgrades, technology upgrades, water features, and green roofs.

Exhibit 6 (Page SS 2-22) lists opportunities for reducing the project scope through reductions in public art and/or landscaping, elimination of the recommended garage screening, elimination of remaining water features, and changing portions of the terra cotta exterior to metal.

Responding to Dr. Davidson, Mr. Terry said sunscreens on the south side of the building would be more beneficial than those originally proposed for the north side. They would enhance the appearance of the building as well.

Mr. Degginger questioned the need for the proposed pneumatic tube system in the building. Police Chief Jim Montgomery explained that Police Department personnel will be located on three floors. The pneumatic system will expedite the efficient exchange of documents between staff. Responding to Ms. Balducci, Chief Montgomery said pneumatic systems are still in use by police departments and hospitals and are proven time savers.

Responding to Mr. Degginger, Chief Montgomery said FAX machines were considered as an option. However, many of the documents transferred between staff such as warrants must be original documents. Mr. Degginger would like to ensure that the volume of documents to be handled by the pneumatic system justifies its cost.

Finance Director Jan Hawn reviewed the updated financing plan for the New City Building. Funding sources include proceeds from the sale of the current City Hall campus, the use of excess reserves (Council Reserve, Facilities CIP, and LID/Land Purchase), additional reserves which will be replenished, CIP revenues, and construction sales tax collections. The financing instrument will be long-term Limited Tax General Obligation (LTGO) Bonds totaling

approximately \$101.1 million, depending on the maximum allowable construction cost (MACC) ultimately set by Council. Bond sale costs are estimated at approximately 1 percent.

Ms. Hawn said the reserve replenishment policy previously established by Council will utilize CIP revenue collections in excess of conservatively budgeted amounts, incremental new taxes from the future use of the current City Hall site, potential debt service savings, and possible CIP project savings. Staff recommends evaluating progress toward the replenishment of reserves on an annual basis.

Responding to Deputy Mayor Noble, Ms. Hawn said staff and the City's financial consultant have analyzed all possible financing options and do not recommend variable rate financing for this project.

Mr. Terry reviewed upcoming Council meetings regarding the New City Building:

- May 10 – Public hearing; presentation of options for landscape design, SE gateway corner, concourse roof; public art proposals.
- May 17 and 24, June 1 – Further discussion; Council action on MACC on May 24 or June 1; final direction on bond sale and adoption of bond resolution.

Mayor Marshall said June 1 is being held as a potential Special Meeting if needed to extend Council's discussion about the New City Building and to finalize the MACC.

Mayor Marshall noted Council consensus to proceed with the proposed schedule.

At 7:54 p.m., Mayor Marshall declared recess to the Regular Session.

Myrna L. Basich  
City Clerk

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